

ORDINANCE No.

Authorize water revenue bonds to finance water system capital improvements and refund water revenue bonds (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. The City is authorized to issue revenue bonds for a public purpose under ORS 287A.150 and related statutes (the “Act”). Revenue bonds issued under the Act may be payable from all or any portion of the water system revenues of the City. The City is also authorized to issue revenue bonds to refund revenue bonds pursuant to ORS 287A.360 to 287A.375.
2. The City may authorize revenue bonds under the Act by nonemergency ordinance. The City may not sell the revenue bonds under the Act until the period for referral of the nonemergency ordinance authorizing the revenue bonds has expired. If a nonemergency ordinance authorizing the revenue bonds is referred, the City may not sell the revenue bonds unless the voters approve the revenue bonds.
3. On December 18, 2017, the City entered into a Bilateral Compliance Agreement (BCA) with the Oregon Health Authority, which established a 10-year schedule to build and begin operating a filtration water treatment facility to remove Cryptosporidium from the Bull Run Watershed drinking water supply in compliance with the U.S. Environmental Protection Agency’s LT2 Rule. Under the BCA, the City will have in service a filtration plant meeting all surface water and Cryptosporidium treatment requirements no later than September 30, 2027.
4. The City is invited by the U.S. Environmental Protection Agency to apply for low-cost, long-term funding under the Water Infrastructure Finance and Innovation Act (WIFIA) program. The City now finds it financially feasible and in the best interests of the City to authorize the issuance of revenue bonds under the Act to utilize WIFIA program financing or another source for a portion of the costs of the City water system’s Bull Run Watershed filtration project, all related expenditures under the water system capital improvement plan and to fund reserves for borrowings backed by water system revenues (collectively, the “System Improvements”).
5. It may be desirable to obtain interim financing for the System Improvements, and to secure that interim financing with a lien on the net revenues of the City’s water system that is subordinate to outstanding City water revenue bonds.
6. The City has issued water revenue bonds that are secured by a first lien on the net revenues of the City’s water system (“First Lien Bonds”) pursuant to the Master First Lien Water System Revenue Bond Declaration dated as of December 15, 2016, as amended and supplemented pursuant to its terms (the “Master First Lien Water Revenue Bond Declaration”). The City has also issued water revenue bonds that are secured by a

second lien on the net revenues of the City's water system ("Second Lien Bonds") as provided in the Master Second Lien Water System Revenue Bond Declaration dated as of May 2, 2013, as amended and supplemented pursuant to its terms (the "Master Second Lien Water Revenue Bond Declaration").

7. The City adopts this ordinance to authorize the issuance and sale of water revenue bonds in an amount sufficient to produce net proceeds of up to \$745 million for costs of System Improvements, to refund water revenue bonds that are issued to provide interim financing, and to refund water revenue bonds that produce debt service savings or achieve a favorable reorganization of outstanding bonds, if conditions warrant.

NOW, THEREFORE, the Council directs:

a. Issuance of Bonds for System Improvements.

1. The City hereby authorizes the issuance of water revenue bonds pursuant to ORS 287A.150 in an amount that is sufficient to provide net proceeds of up to \$745 million to pay for costs of System Improvements, plus additional amounts to pay costs related to the financings. The City estimates that the total principal amount of water revenue bonds required for this purpose will not exceed \$750 million. The bonds shall be issued and sold in accordance with the Act.
2. The bonds authorized by this ordinance shall be special obligations of the City that are payable solely from water system revenues.
3. No bonds authorized by Section 1.a.1 of this ordinance may be sold and no purchase agreement for any of those bonds may be executed until the period for referral of this nonemergency ordinance has expired. If this ordinance is referred, the City may not sell the bonds authorized by Section 1.a.1 of this ordinance unless the voters approve those bonds.

b. Issuance of Refunding Bonds. The City hereby authorizes the issuance of refunding bonds pursuant to applicable Oregon statutes to refinance (1) any revenue bonds that are issued pursuant to Section 1.a.1 of this ordinance to provide interim financing, and (2) any of the City's outstanding water revenue bonds to obtain debt service savings or to achieve a favorable reorganization of outstanding water revenue bonds, if conditions warrant. The refunding bonds authorized by this Section 1.b may be issued in an aggregate principal amount sufficient to refund any water revenue bonds selected by the Debt Manager pursuant to Section 1.c.7 of this ordinance, plus amounts required to pay costs and to fund bond reserves related to the refunding bonds.

c. Delegation. After this ordinance takes effect the City's Debt Manager, the Chief Financial Officer and Director of the Bureau of Revenue and Financial Services, the Chief Administrative Officer of the Office of Management and Finance, or the person designated by the Chief Administrative Officer of the Office of Management and Finance to act as Debt Manager under this ordinance (any of whom is referred to in this ordinance

as a “Debt Manager”) may, on behalf of the City and without further action by the Council:

1. Issue the revenue bonds authorized by this ordinance (the “2020 Bonds”) in one or more series, which may be sold at different times, and issue any series of 2020 Bonds as First Lien Bonds or as Second Lien Bonds.
2. Issue the 2020 Bonds through either public sale or private placement, including borrowings under the U.S. Environmental Protection Agency’s WIFIA program. Either publish a notice of sale, receive bids and award the sale of that series to the bidder complying with the notice and offering the most favorable terms to the City, or select one or more underwriters or lenders, and negotiate the sale of that series with those underwriters or lenders and execute and deliver a bond purchase agreement or loan agreement with those underwriters or lenders in connection with such sale.
3. Issue the 2020 Bonds as short or intermediate term bonds to provide interim financing for System Improvements and enter into lines of credit or similar documents which permit the City to draw 2020 Bond proceeds over time.
4. Participate in the preparation of, authorize the distribution of, and deem final the preliminary and final official statements and any other disclosure documents for each series of the 2020 Bonds.
5. Subject to the limits of this ordinance, establish the final principal amounts, lien status, maturity schedules, draw schedule, interest rates, and other terms for each series of 2020 Bonds and structure each series of the 2020 Bonds as the Debt Manager determines is desirable for the City, including structuring 2020 Bonds as draw down borrowings under the WIFIA program.
6. Prepare, execute and deliver one or more bond declarations or other documents or agreements that will specify the terms under which the 2020 Bonds are issued and the administrative provisions that apply to the 2020 Bonds. The bond declarations or other documents or agreements may also contain covenants for the benefit of the owners of the 2020 Bonds and any credit enhancement providers, including any covenants required by the WIFIA program if the City decides to borrow under that program.
7. Amend or reserve the ability to make changes to the Master First Lien Water Revenue Bond Declaration and amend or reserve the ability to amend the Master Second Lien Water Revenue Bond Declaration to facilitate the issuance of the 2020 Bonds and future water revenue bonds.
8. Select water revenue bonds to be refunded, refund any 2020 Bonds that are issued to provide interim financing with other short, intermediate or long-term term bonds, and call, refund and defease any water revenue bonds that produce net debt

service savings or a favorable reorganization of bonds that is in the City's best financial interest, including through a forward-delivery structure.

9. Undertake to provide continuing disclosure for any series of 2020 Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission.
 10. Apply for and purchase municipal bond insurance, reserve sureties or other forms of credit enhancements for any series of 2020 Bonds, and enter into related agreements.
 11. Appoint and enter into agreements with escrow agents, paying agents, verification agents and other professionals and service providers for the 2020 Bonds.
 12. Issue any qualifying series of 2020 Bonds as "tax-exempt bonds" bearing interest that is excludable from gross income under the Internal Revenue Code of 1986, as amended, (the "Code") and enter into covenants for the benefit of the owners of those series to maintain the excludability of interest on those series from gross income under the Code.
 13. If the federal government approves subsidy payments or tax credits for municipal bonds and those subsidies or tax credits are estimated to reduce the net debt service payments for the 2020 Bonds, issue any series of 2020 Bonds as eligible for those federal subsidies or tax credits, and enter into related covenants to maintain the eligibility of such series of 2020 Bonds for those subsidies or tax credits.
 14. Issue any series of 2020 Bonds as "taxable bonds" bearing interest that is includable in gross income under the Code.
 15. Designate any series of 2020 Bonds as "green bonds" if applicable.
 16. Execute any documents and take any other action in connection with the 2020 Bonds which the Debt Manager finds will be advantageous to the City, including documents and actions required by the WIFIA program if the City decides to borrow under that program.
- d. Compliance with the Master First Lien Water Revenue Bond Declaration. The City covenants for the benefit of the owners of all First Lien Bonds that are sold under the authority of this ordinance that the City shall, when the First Lien Bonds are issued, charge rates and fees in connection with the operation of the Water System which, when combined with other Gross Revenues, are adequate to generate Net Revenues at least equal to one hundred twenty five percent (125.00%) of Annual Debt Service due in that Fiscal Year, with the proposed Parity Obligations treated as Outstanding. Capitalized terms used in this Section 1.d that are not defined in this ordinance shall have the

meanings defined for those terms in the Master First Lien Water Revenue Bond Declaration.

Passed by the Council,

Mayor Ted Wheeler

Prepared by: Bond Counsel: Matt Gierach

Date Prepared: March 19, 2020

Mary Hull Caballero

Auditor of the City of Portland

By

Deputy